FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

First Nickel Inc. ("**FNI**")
120 Front St. East, Suite 206
Toronto, Ontario
M5A 4L9

Item 2. Date of Material Change

September 28, 2005

Item 3. Press Release

Press releases issued by FNI on September 28, 2005 and on September 29, 2005 via a Canadian news wire service.

Item 4. Summary of Material Change

FNI announced on September 28, 2005 that the Lockerby Mine "cost plus" mining agreement (the "**Mine Agreement**") entered into effective August 15, 2005 between FNI as "Owner" and F.A. MacIntyre Limited as "Contractor" ("**MacIntyre**") has been terminated. Pursuant to the terms of a termination agreement effective September 28, 2005 between FNI and MacIntyre (the "**Termination Agreement**"), FNI has agreed, among other things, to assume full responsibility for the fifty seven (57) MacIntyre employees currently engaged in mining activities at the Lockerby Mine, effective October 1, 2005.

FNI announced on September 29, 2005 that it has entered into an engagement letter dated September 28, 2005 (the "**Engagement Letter**") with MGI Securities Inc. ("**MGI**") to complete a private placement offering (the "**Offering**") of up to 4,615,385 "flow-though" shares (as defined in the *Income Tax Act* (Canada)) at a price per share of $1.30, for total subscription proceeds of up to $6.0 million. The completion of the Offering remains subject to receipt of all necessary board and regulatory approvals, including the approval of the Toronto Stock Exchange (the "**TSX**"). FNI anticipates completing the Offering on or about October 19, 2005.

Item 5. Full Description of Material Change

TERMINATION OF MINE AGREEMENT

Pursuant to the terms of the Mine Agreement, FNI retained MacIntyre to provide all expertise, supervision, labour, supplies, material and equipment not already provided by FNI necessary to implement FNI's Lockerby Mine mine plan (the "**Mine Plan**"). MacIntyre's responsibilities in implementing the Mine Plan included both surface and underground maintenance, mining and development work, and, to the extent not provided by FNI as Owner of the Lockerby Mine, equipment maintenance, purchasing, waste management, yard operation, surface building maintenance, shaft handling and ore transportation (collectively, the "**Work**"). In exchange for providing the Work, MacIntyre was entitled to receive their actual costs of providing the Work, plus a fee of fifteen percent (15%) on any costs relating to labour (i.e., salaries, wages, benefits, travel and subsistence expenses, and contributions, assessments or taxes incurred for employment insurance, health insurance, worker's compensation and Canada Pension Plan), and seven percent (7%) on all other costs.

Pursuant to the Termination Agreement, FNI and MacIntyre have mutually agreed to terminate the Mine Agreement within sixty (60) days. Notwithstanding such sixty (60) day notice period, FNI and MacIntyre have agreed to proceed with winding up matters relating to the Mine Agreement as quickly and efficiently as possible. Among other things, the Termination Agreement provides as follows:

1. Effective October 1, 2005, FNI will assume full responsibility for the fifty-seven (57) employees currently engaged in providing the Work;

2. The leasing arrangement relating to all MacIntyre-owned mining equipment currently being used at the Lockerby Mine shall continue on a month-to-month basis, with the exception of the grader currently on-site, which will be leased by FNI for a minimum of six (6) months commencing September 15, 2005;

3. Immediately following September 30, 2005, FNI and MacIntyre will settle all outstanding accounts and balances owing under the Mine Agreement;

4. FNI will assume responsibility for any costs (including any decisions, settlements or awards) arising from any outstanding grievances with Sudbury Mine, Mill & Smelter Workers Union Local 598, provided that all decisions regarding selection of legal counsel and the acceptance of any settlements, etc., shall be at the sole discretion of FNI; and

5. Except and otherwise provided for in the Termination Agreement, each of FNI and MacIntyre agree to fully release the other from any remaining obligations, costs or damages arising under the Mine Agreement.

ENGAGEMENT LETTER / OCTOBER 2005 PRIVATE PLACEMENT

Pursuant to the terms of the Engagement Letter, MGI has agreed to act as exclusive agent on a best-efforts basis in connection with the Offering. FNI has agreed to pay to MGI a cash commission equal to seven percent (7%) of the aggregate gross proceeds from the Offering payable at and conditional upon completion of the Offering. As further consideration, upon completion of the Offering, MGI will be issued non-transferable warrants (the "**Broker's Warrants**") to purchase that number of common shares of FNI equal to five percent (5%) of the aggregate number of "flow-through" shares sold under the

Offering. Each Broker's Warrant will be exercisable at the price of $1.30 per share expiring on the second anniversary of the completion of the Offering.

The Offering remains subject to receipt of all necessary board and regulatory approvals, including the approval of the TSX to the issuance of the "flow-through" shares and the common shares issuable upon exercise of the Broker's Warrants.

The proceeds from the Offering will be used by FNI to fund its ongoing exploration programs on the Bowell, Foy Mouth and Morgan-Lumsden Properties (located on the North Range of the Sudbury Basin), the West Graham Property (located adjacent to the Lockerby Mine), and the Dundonald Property (located near Timmins, Ontario).

FNI anticipates completing the Offering on or about October 19, 2005.

Item 6. Reliance on Section 75(3) of the Act

Not Applicable.

Item 7. Omitted Information

No information has been omitted from this Material Change Report.

Item 8. Senior Officer

The following senior officer of FNI is knowledgeable about the material change and the Report and may be contacted by the Commission as follows:

Elizabeth J. Kirkwood, President and Chief Executive Officer

Telephone: 416 362-7050
Facsimile: 416 362-9050
Internet: www.firstnickel.com

DATED the 7th day of October, 2005.

FIRST NICKEL INC.

"Elizabeth J. Kirkwood"

Per: ______________________________
Elizabeth J. Kirkwood
President and Chief Executive Officer